

## **FISCAL NOTE**

### **HB 2160 - SB 2277**

January 26, 2004

**SUMMARY OF BILL:** Provides members of the Tennessee National Guard called into active duty and entitled to combat compensation with an exemption from the sales and use tax paid on motor vehicles.

#### **ESTIMATED FISCAL IMPACT:**

**Decrease State Revenues - \$279,850**

**Decrease Local Govt. Revenues - \$8,800**

Estimate assumes:

- a maximum deployment level of 4,424 Tennessee National Guard members. This is equivalent to the total number deployed in 2003. Of the 4,424 deployed, 1,409 would qualify for combat pay.
- the percentage of guard members buying vehicles each year remains consistent with the number of guard members purchasing vehicles in 2003 (16.27%).
- the average price of vehicles purchased by guard members is \$16,829. This was calculated based upon 2003 data provided by the NADA. The average price of new vehicles was \$27,276 and the average price of used vehicles sold at franchised dealerships was \$13,347. Historically, new vehicles account for 25% of sales and used vehicles account for 75% of sales. Therefore,  $(\$27,276 \times 25\%) + (\$13,347 \times 75\%) = \$16,829$ .
- the increase in the number of guard members who wish to buy a vehicle is offset by those who choose not to buy due to the decline in their income associated with moving from their normal jobs to active duty military personnel.

For informational purposes, the total number of guard members who are potentially eligible for this exemption is 14,300. This estimate assumes that deployment numbers will not increase above 2003 levels. Should this occur however, the potential loss in state and local revenue could increase considerably.

#### **CERTIFICATION:**

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director

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